

**Remarks As Prepared For The Record To Accompany Senator Johanns' Vote Against The Senate Agriculture Committee Derivatives Mark-Up:**

I appreciate the opportunity to offer comments on Chairman Lincoln's bill that is aimed at regulating our over-the-counter derivatives market.

Derivatives are one of the most highly complicated and intricate financial instruments that we have. Regulating them is not an easy task.

I commend those who put forth a good faith effort to work together to address the problem.

I have several concerns with the Chairwoman's draft legislation, particularly the concerns that Senator Chambliss so aptly discussed.

I have talked to dozens and dozens of companies that tell me exchange trading is just one more layer of unworkable regulation and unnecessary if there is a strong clearing regime in place.

What will the trickle down effects be for community banks that hedge their interest rate risks with larger banks, if these larger institutions are banned from engaging in swaps?

How can there not be an increase in the cost of a loan for farmers due to the fact that the Farm Credit System institutions will be treated like the large Wall Street firms and not exempted from coming up with costly capital and margin requirements?

And finally, I think every one of us here today recognizes that certain trades are so unique and specialized that they are not suitable for clearing. So then why are we going to punish these trades that may pose no systemic risk by imposing higher capital requirements?

The bill before us today took a workable bipartisan compromise and turned it into legislation that applies regulations too broadly.

It is so extreme that even the White House is sending signals it goes too far.

The bipartisan concern is evidence of broad recognition that it would imperil interest rates and the availability of loans to farmers and rural America.

It has the potential to have very negative effects and a host of unintended consequences on our economy, and I cannot support such an overreach.

I would like to wrap up this morning by speaking a few minutes in support of the amendment offered by the Ranking Member.

To me, it represents the essence of what a compromise is.

It is the result of many hours of bipartisan negotiations between the Chairman and the Ranking Member, negotiations that I think produced a very good product.

It takes into consideration all of the competing forces such a complicated issue like derivatives regulation entails, and it strikes an appropriate balance.

It brings the current unregulated over-the-counter derivatives market into a space where transparency and information exchange are paramount.

This is an enormous departure from current law; in fact one could say it is a 180 degree change.

Yet while it attempts to bring as many swap trades onto a clearing platform as possible, it also recognizes the need to avoid undue burdens on companies across our country that use these complex products as part of their everyday business activity.

It recognizes the negative consequences businesses would face if too rigid a bill goes into law. Dangers such as loss of jobs, jobs moving overseas, constriction in liquidity, lack of credit and higher interest rates for the farmers in my state, higher farm input costs, and I could go on and on.

It also distinguishes the fact that these businesses were not part of the economic meltdown and do not pose systemic risk.

They are not the AIGs of the world, a company that has become the poster child for what went wrong in the derivatives space.

Instead they are the companies that use derivatives to manage their finances –trying to keep down energy costs, control interest rate fluctuations, manage currency volatility, and many other risk mitigation tools.

As every member here today knows very well, derivatives are very complicated.

Derivative contracts are unique and a broad brush approach could do more harm than good to our economy.

I am pleased that Senator Chambliss' substitute understands the need to look at the myriad of users of these contracts and does not devise a one-size-fits all approach.

I applaud the Ranking Member's leadership on this issue and I am proud to support his amendment.